

## Coal demand continues to far outstrip the domestic production in September 2021

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The overall coal production during September 2021 has significantly increased to 51.7 million tonnes (MT) as compared with 38.9 MT in September 2020 and 39.5 MT in September 2019, registering a growth of 33% year-on-year (y-o-y) and 31% when compared with September 2019 production. However, on a month-on-month (m-o-m) basis, the coal production saw a decline of around 4%. This was on account of around 4% lower production by Coal India Ltd. (CIL) and around 10% lower production by Singareni Collieries Company Limited (SCCL) in September 2021 as compared with August 2021. Production and despatch volumes of coal have been affected due to heavy rainfall in September 2021 across the mining geographies.

**Table 1: Coal production in September 2021 (Provisional)**

Production	Million Tonnes (MT)	y-o-y growth (%)	m-o-m growth (%)	% growth (Sep 2021 vs. Sep 2019)
CIL	40.7	29%	-4%	32%
SCCL	4.5	36%	-10%	7%
Captives	6.5	59%	5%	44%
<b>Grand Total</b>	<b>51.7</b>	<b>33%</b>	<b>-4%</b>	<b>31%</b>

Source: Ministry of Coal

On a cumulative basis, India's coal production increased by 12% during April 2021 to September 2021 period as compared with the corresponding period of the last year (2020) and 5.5% compared with the same period of 2019. Coal India Ltd (CIL) produced 249.8 MT of coal during April 2021 to September 2021 which is 37.3% of the annual production target of 670 MT for the full year FY 2022 (refers to financial year ending March 31, 2022). Coal production generally slows down during monsoon season and an extended monsoon this September has impacted mining operations.

**Table 2: Coal production during April to September 2021 (Provisional)**

Production	April 2021 to September 2021	April 2020 to September 2020	April 2019 to September 2019	Growth (2021 vs. 2020)	Growth (2021 vs. 2019)
CIL	249.8	236.0	240.8	6%	4%
SCCL	29.9	18.1	30.5	65%	-2%
Captives	35.9	28.5	27.8	26%	29%
<b>Grand Total</b>	<b>315.6</b>	<b>282.6</b>	<b>299.1</b>	<b>12%</b>	<b>6%</b>

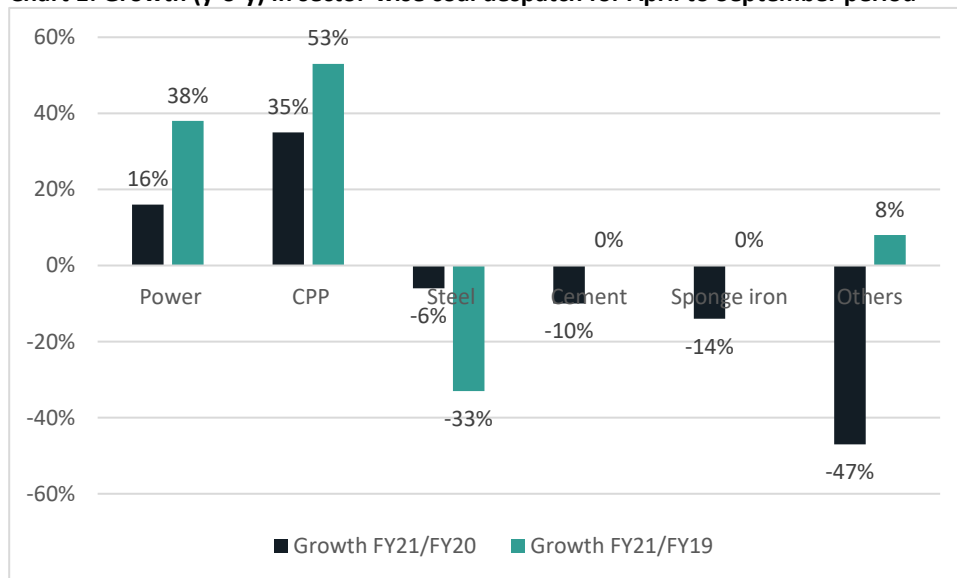
Source: Ministry of Coal

### Despatch of Coal:

The overall coal despatch has been 59.8 MT in the month of September 2021 as compared with 54.6 MT and 44.4 MT in September 2020 and September 2019, respectively.

While despatch of coal to power sector and captive power plants (CPP) increased by 16% and 35%, respectively, it fell sharply for other sectors like Cement, Steel, Sponge Iron and other sectors like fertilizers, textile, chemicals etc as collieries prioritised fuel supply to coal-starved power plants to ensure uninterrupted electricity supply.

**Chart 1: Growth (y-o-y) in sector-wise coal despatch for April to September period**



Source: Ministry of Coal

Note 1- CPP- Captive power plants, Others include fertilizers, textiles, chemicals, paper

Power demand has increased from August 2021 onwards as the country recovered from the second wave of the Covid-19 pandemic. Power demand has been surging since June 2021 with peak demand crossing 200 Gigawatts in July 2021. Power consumption for the period August 2021 and September 2021 increased from 106.6 BU per month in 2019 (pre-Covid year) to 124.2 BU per month in 2021. While power demand grew, the coal-based power plants (in India) could not stock up on the coal inventory ahead of the monsoon season due to sharp increase in the international coal prices as well as freight rates. This put pressure on these power plants to meet the increased power demand as the country ramps up the economic activity with increased vaccination and complete opening-up of businesses post the second wave of the Covid-19 pandemic in April 2021. Since domestic coal producers meet just about 60% to 65% of the country’s total annual coal demand, this has led to a high import dependence and the demand far outstripping the domestic supply.

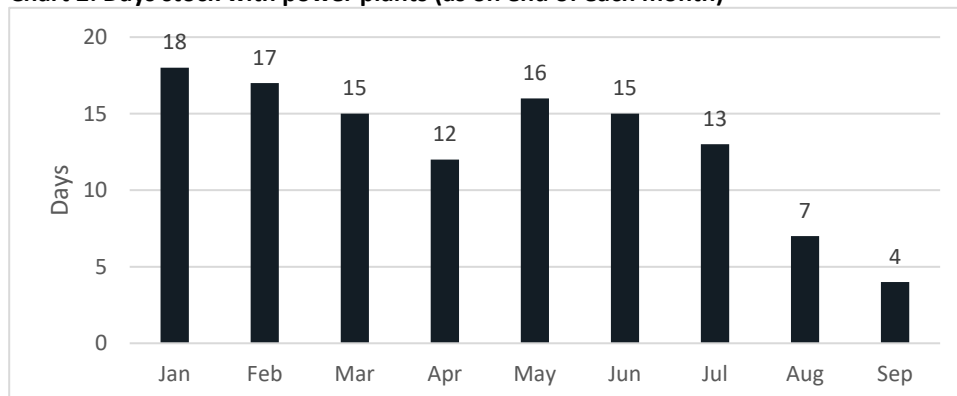
Australia’s thermal coal, a global benchmark, has almost doubled to \$169/tonne in August 2021 from around \$87/tonne in January 2021 just at the start of this calendar year. Coal stockpiles in China are also at critically low levels whereas demand is at all-time high which is driving global prices higher as China is importing coal at very high prices to meet its growing domestic demand driven by increased economic activity post-pandemic.

Global electricity demand rebounded with industrial growth from the post-pandemic boom. However, coal supply hasn’t kept pace with demand after last year’s pandemic slump. Global coal production fell by about 5% in 2020 from 2019. Global coal supplies have fallen in 2021 as well as major producers Colombia and Indonesia have struggled with heavy rain, while some mines have closed because of the pandemic.

Besides, countries are also cutting down on coal production in order to meet their climate goals. For instance, Spain has shut down half of its coal production last year and has promised to phase out all coal-fired power plants by 2030.

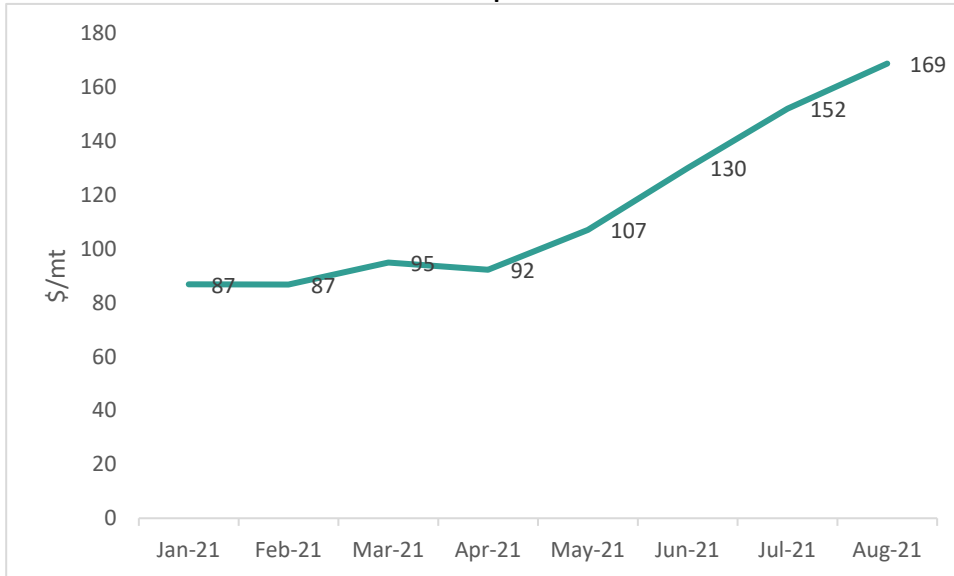
In India too, the coal stocks with power plants have reached critically low levels of just four days as on end of September 2021 as against around 22 days of fuel stocks prescribed by the Central Electricity Authority (CEA).

**Chart 2: Days stock with power plants (as on end of each month)**



Source: Central Electricity Authority (CEA)

**Chart 3: Trend in International thermal coal prices**



Source: World Bank

**Outlook:**

While domestic demand for coal from power sector picked up from August 2021 onwards as the business and economic activities have revived as the country unlocks from the second wave of Covid-19 pandemic inflicted lock-downs, supply from coal mines have been interrupted due to extended monsoons.

However, India's coal production is expected to pick up from October as monsoon recedes. Demand for coal, on the other hand, is expected to be higher than supply as rising international coal prices will likely keep tab on imports into the country.

In order to achieve the annual production target and to meet the rising demand situation, the domestic coal companies, including CIL and SCCL will have to significantly ramp up the production from October 2021.

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